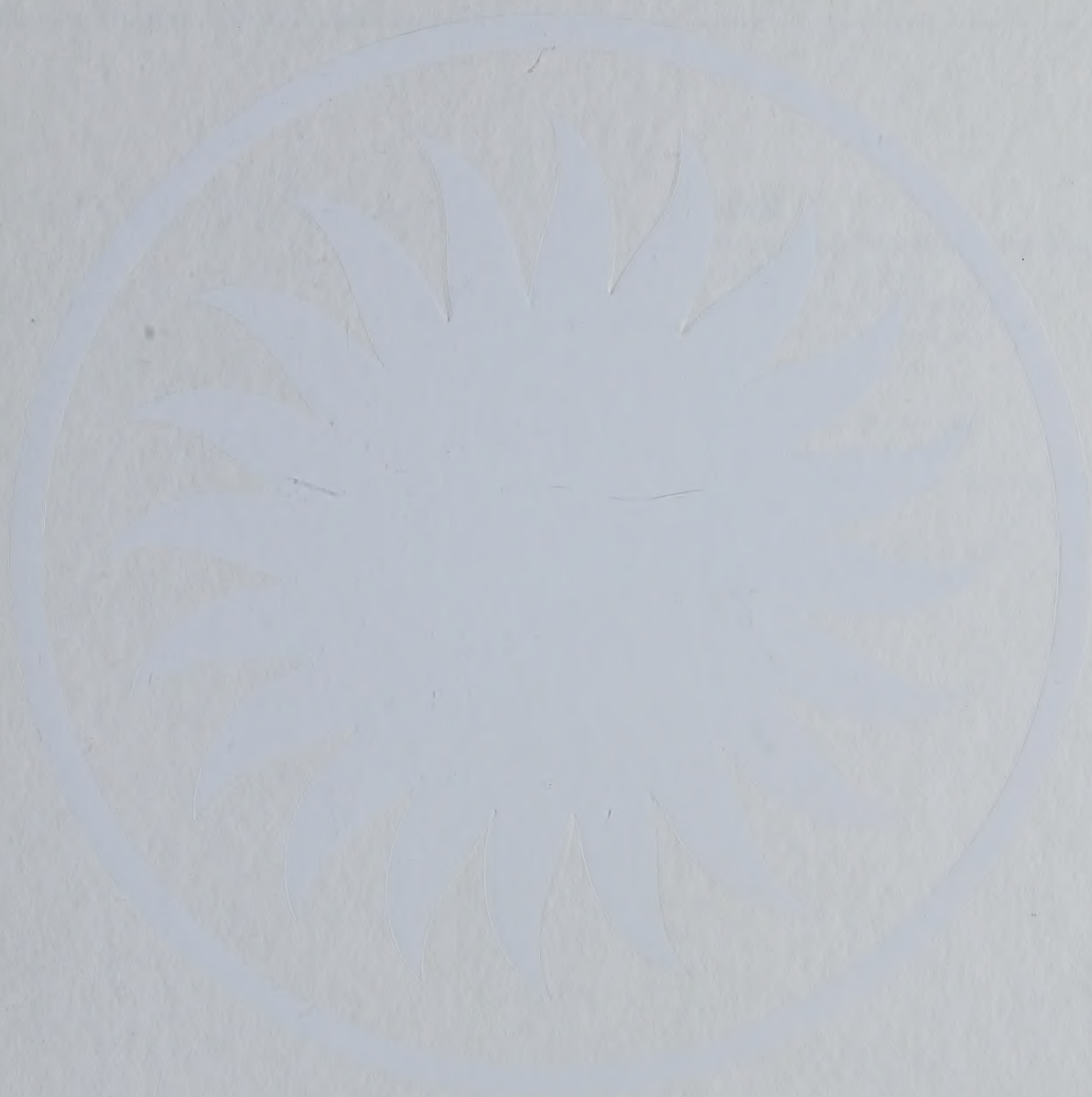


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Mr. Cooper





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OFFICERS AND DIRECTORS OF THE COMPANY

OFFICERS

Clayton B. Delbridge Chairman of the Board
Richard S. Malone President
J. Stuart Keate Vice-President
William W. Winnett Secretary-Treasurer

DIRECTORS

Ronald L. Cliff
Lawrence Dampier
Clayton B. Delbridge
Bruce Hutchison
Stuart Keate
John MacD. Lecky
Richard S. Malone
Derek A. Price
Bruce L. Rudd
John W. Toogood
R. Howard Webster
F. Cameron Wilkinson

EXECUTIVES OF THE VANCOUVER SUN

Stuart Keate Publisher
Bruce Hutchison Editorial Director
William T. Galt Managing Editor
Clifford MacKay Editorial Page Editor
John W. Toogood Marketing and Advertising Director
William W. Winnett Assistant to the Publisher
Donald M. Grieve Circulation Manager
J. A. McLellan Promotion Manager

BANKERS

The Bank of Nova Scotia

AUDITORS

Clarkson, Gordon & Co.

SOLICITORS

Farris, Vaughan, Wills & Murphy

TRANSFER AND EXECUTIVE OFFICES

2250 Granville Street
Vancouver, B.C. V6H 3G2

Sun Publishing Company Limited and Subsidiary Companies

RESULTS AT A GLANCE

	For the year ended December 31	
	1973	1972
Income before Gain (Loss) on sale of securities	\$ 3,677,829	\$ 2,855,838
Provision for Income Taxes	219,500	130,000
Net Operating Income	3,458,329	2,725,838
Gain (Loss) on sale of Securities (net) (Before income taxes on capital gains, see Note 3 - financial statements)	199,544	115,102
Net Income	\$ 3,657,873	\$ 2,840,940
Income per share:		
"A" shares - on net operating income	\$ 4.66	\$ 3.69
- on gain (loss) on sale of securities (before income taxes on capital gains)	.27	.15
	<u>\$ 4.93</u>	<u>\$ 3.84</u>
"B" shares - on net operating income	\$ 4.56	\$ 3.59
- on gain (loss) on sale of securities (before income taxes on capital gains)	\$.27	\$.15
	<u>\$ 4.83</u>	<u>\$ 3.74</u>
Number of shareholders at year-end	742	817
Shareholders total investment (book value)	\$27,138,969	\$24,579,846
Shares of common stock outstanding	750,000	750,000
Book value per share of common stock	\$ 36.19	32.77
The Vancouver Sun:		
Advertising lineage	44,632,432	40,615,395
Circulation for period October - December	250,040	242,862
Newsprint consumed - Tons	45,317	40,485
- Value	\$ 7,349,306	\$ 6,437,165

Valuation Day Value:
December 22, 1971

"A" Shares	\$34.75
"B" Shares	33.00



REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

We are pleased to present the Consolidated Financial Statements of the Company and its subsidiaries, together with the Auditors' Report, for the year ended December 31, 1973. The net income of the Company for the year amounted to \$3,658,000, representing an increase of \$817,000 over the 1972 net income, or a gain of 28.8%.

The income of the Company is derived from two sources, firstly its 50% shareholding in Pacific Press Limited, which is the proprietor of The Vancouver Sun and The Province newspapers, and secondly the Investment Portfolio of the Company.

Pacific Press Limited:

Increased earnings of the Company from its shareholding in Pacific Press Limited were achieved due to substantial gains in advertising lineage and, to a lesser extent, circulation of its newspapers, which were sufficient to more than offset the impact of higher wages and increased operating costs, including three newsprint price increases. Pacific Press Limited will experience in 1974 further newsprint price increases and contractual wage increases on May 1, 1974. The present two year union agreements terminate on October 31, 1974.

The Vancouver Sun:

The Company publishes The Vancouver Sun newspaper for Pacific Press Limited, which company employs substantially all the personnel involved in the publication, pays all expenses and receives all revenues in respect to The Vancouver Sun. The number of employees of the Company itself and its subsidiaries on December 31, 1973 was three, and the total wages, aggregate salaries and benefits paid to employees of the Company in 1972 and 1973 was \$35,822 and \$38,661 respectively.

Advertising lineage totalled 44,632,432 lines, representing an increase of 9.9% over 1972. In addition, the average net paid circulation continued to climb and presently is approximately 258,000, which represents an increase of roughly 5% during the last year.

Investment Portfolio:

The earnings of the Company from its Investment Portfolio also increased. The book value of the Portfolio at December 31, 1973 was \$19,605,873, (of which \$2,389,848 is designated as long-term) representing an increase of approximately \$2,680,000 over the comparable value at December 31, 1972. A substantial amount of the increase resulted from the redemption of \$1,500,000 face value of demand debentures of

Pacific Press Limited. At December 31, 1973, the market value of the Portfolio was \$21,159,507, (of which \$2,762,358 is designated as long-term).

California Properties:

The properties of the Company are located in the Coachella Valley area of California. It is the intention of the Company to sell the properties when market conditions are favourable.

Dividends:

Dividends of \$1.51½ on the "A" shares and \$1.41½ on the "B" shares were declared by the directors in 1973, including an increased dividend payable on March 30, 1974. The 1973 dividends reflect an increased payment of 28½c per share over 1972.

Personnel:

The Directors would like to express their warm appreciation to Mr. John J. Rooney, who retired at the end of the year as Secretary-Treasurer, for the significant contribution he made to the Company during his 45 years of service. Mr. William W. Winnett has succeeded Mr. Rooney as Secretary-Treasurer.

The directors take this opportunity of expressing their appreciation to the members of the staff by whose efforts The Vancouver Sun has continued its growth, thereby substantially contributing to the success of the Company during 1973.

On behalf of the Board
C. B. Delbridge,
Chairman.

Sun Publishing Company Limited and Subsidiary Companies

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

	Year ended December 31	
	1973	1972
Revenue:		
Income from Pacific Press Limited—		
Equity in net earnings for 1973 of which \$1,296,000		
(1972—\$960,000) was received by way of dividends		
(Note 1)	\$ 2,846,767	\$ 2,181,026
Dividend and interest income	915,751	744,857
Gain on sale of securities (Note 2)	199,544	115,102
	<u>3,962,062</u>	<u>3,040,985</u>
Expenses:		
Administrative expenses including directors' fees of		
\$24,000 (1972—\$15,000)	81,929	67,163
Loss on operations of California properties	2,760	2,882
	<u>84,689</u>	<u>70,045</u>
	3,877,373	2,970,940
Income taxes (Note 2)	219,500	130,000
Net income (Note 3)	3,657,873	2,840,940
Retained earnings, beginning of year	23,829,846	21,873,906
	<u>27,487,719</u>	<u>24,714,846</u>
Dividends:		
Class "A" shares - \$1.52 per share	568,125	461,250
Class "B" shares - \$1.42 per share	530,625	423,750
	<u>1,098,750</u>	<u>885,000</u>
Retained earnings, end of year	<u>\$26,388,969</u>	<u>\$23,829,846</u>

(See accompanying notes)



CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT ASSETS

	December 31	
	1973	1972
Cash	\$ 59,757	\$ 30,620
Marketable securities, at cost (market value— \$18,397,149; 1972 - \$16,509,844)	17,216,025	14,973,042
Accrued investment income receivable	190,856	163,821
Prepaid expenses	852	474
Total current assets	<u>17,467,490</u>	<u>15,167,957</u>

INVESTMENTS AND OTHER ASSETS:

In Canada—

Pacific Press Limited (Note 1)

Demand debenture

2,500,000

4,000,000

800,000 common shares

4,339,165

2,788,398

Marketable securities, at cost (market value

\$2,762,358; 1972 - \$3,109,628) (Note 5)

2,389,848

2,053,284

9,229,013

8,841,682

In the United States (expressed in Canadian equivalent) (Note 1)—

California properties, including net investment in syndicates of \$152,476, at cost

926,086

915,466

Incorporation expenses

6,750

6,750

932,836

922,216

FIXED ASSETS:

Office equipment - at cost

657

Less accumulated depreciation

131

526

\$27,629,865

\$24,931,855

(See accompanying notes)

On behalf of the Board:

R. S. MALONE, Director

STUART KEATE, Director

Sun Publishing Company Limited and Subsidiary Companies

LIABILITIES AND SHAREHOLDERS' EQUITY

	December 31	
	1973	1972
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 15,879	\$ 103,646
Dividends payable	384,375	238,125
Income taxes payable	90,642	10,238
Total current liabilities	<u>490,896</u>	<u>352,009</u>
 SHAREHOLDERS' EQUITY		
Capital stock—		
Authorized:		
2,500,000 redeemable preference shares of \$1 each		
500,000 cumulative participating Class "A" common shares without nominal or par value, entitled to minimum preferential cash dividends of 50 cents per annum		
500,000 Class "B" common shares without nominal or par value		
Issued and outstanding:		
375,000 Class "A" shares	375,000	375,000
375,000 Class "B" shares	375,000	375,000
	<u>750,000</u>	<u>750,000</u>
 RETAINED EARNINGS (Statement 2)	<u>26,388,969</u>	<u>23,829,846</u>
	<u>27,138,969</u>	<u>24,579,846</u>
	<u><u>\$27,629,865</u></u>	<u><u>\$24,931,855</u></u>

(See accompanying notes)



CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Source of funds:	Year ended December 31	
	1973	1972
Operations—		
Net income for the year	\$ 3,657,873	\$ 2,840,940
Credits (charges) to income not resulting in a receipt (outlay) of funds:		
Portion of net earnings in Pacific Press Limited which was not distributed by way of dividends (Note 1)	1,550,767	1,221,026
Depreciation	(131)	
	<u>2,107,237</u>	<u>1,619,914</u>
Redemption of Pacific Press Limited demand debentures	1,500,000	1,500,000
	<u>3,607,237</u>	<u>3,119,914</u>
Application of funds:		
Dividends	1,098,750	885,000
Other items (net)	11,277	11,637
Increase in long-term investment in marketable securities	336,564	
	<u>1,446,591</u>	<u>896,637</u>
Increase in working capital	2,160,646	2,223,277
Working capital, beginning of year as previously reported	16,869,232	14,645,955
Restatement of long-term investment in marketable securities (Note 5)	2,053,284	2,053,284
Working capital, beginning of year as restated	14,815,948	12,592,671
Working capital, end of year as restated	<u>\$16,976,594</u>	<u>\$14,815,948</u>
Represented by:		
Current assets	\$17,467,490	\$15,167,957
Less current liabilities	490,896	352,009
Working capital, end of year	<u>\$16,976,594</u>	<u>\$14,815,948</u>

(See accompanying notes)

Sun Publishing Company Limited and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1973

1. Accounting policies

The following is a summary of significant accounting policies used in the preparation of these financial statements. It is the company's policy to follow generally accepted accounting principles and to apply these principles on a consistent basis.

(a) Principles of consolidation:

The consolidated financial statements include the financial statements of the company and all of its subsidiaries.

For purposes of inclusion in the financial statements, amounts in foreign currencies have been restated in Canadian dollars. Current assets and current liabilities have been translated at the exchange rates prevailing on December 31, 1973, other assets and liabilities substantially at the rates at the date of the relevant transactions and amounts appearing in the statement of income at average rates.

(b) Marketable securities:

Marketable securities are valued at moving average cost.

(c) Investment in Pacific Press Limited:

Sun Publishing Company Limited holds 50% of the issued shares of Pacific Press Limited, a company which acquired the newspapers "The Vancouver Sun" and "The Province". The company publishes "The Vancouver Sun" for Pacific Press Limited. The company's investment in Pacific Press Limited is recorded by the equity method, whereby the

carrying value reflects the original cost of \$800,000 of its holding of common shares and its share in the undistributed earnings of Pacific Press Limited since acquisition. At December 31, 1973 the company's share in the undistributed earnings of Pacific Press Limited amounted to \$3,539,165. Accordingly, the net income includes the company's full share of its equity in the net income of Pacific Press Limited for the year ended December 31, 1973.

2. Included in the net gain of \$199,544 realized on the sale of securities during the year are net capital gains for tax purposes of approximately \$150,000. One half of this amount is included in the company's taxable income resulting in a tax cost of approximately \$38,000 which is included in the provision for income taxes of \$219,500.
3. Earnings per share: Earnings per Class "A" share were \$4.93 in 1973 (\$3.84 in 1972) and earnings per Class "B" share were \$4.83 in 1973 (\$3.74 in 1972). Earnings per share for both classes of common shares are calculated in a manner which recognizes the differential in their rights to dividends.
4. Remuneration of directors and senior officers amounted to \$59,501 for the year ended December 31, 1973.
5. Certain marketable securities are being held by the company as long-term portfolio investments. The 1972 figures for marketable securities have accordingly been reclassified to reflect this policy.

AUDITORS' REPORT

To the Shareholders of
Sun Publishing Company Limited:

We have examined the consolidated balance sheet of Sun Publishing Company Limited and subsidiary companies as at December 31, 1973 and the consolidated statements of income and retained earnings and source and application of funds for the year then ended. For Sun Publishing Company Limited, our examination of the financial statements of the company included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. For other companies consolidated or accounted for by the equity method we have relied on the reports of the auditors who have examined their financial statements.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1973 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

CLARKSON, GORDON & CO.

Chartered accountants

Vancouver, Canada,

February 12, 1974.



THE VANCOUVER SUN IN THE COMMUNITY

The news coverage of 1973 in The Vancouver Sun stretched from the dramatic and intricate revelations of the Watergate, through the tragic Middle East War and subsequent petroleum squeeze to the happy conclusion of the long-standing local Jericho Park issue.

The Sun's news bureaus and special wire services provided exceptional coverage of national and world events as they happened and, additionally, clear analysis on the outcome of the events.

The Sun's Editorial Director completed a thoughtful and extensive examination of North American and world events which was widely reprinted and read into the Congressional Record of the United States. All this work, done outside the immediate area of influence of The Vancouver Sun, contributed significantly to local awareness of the interwoven nature of the emerging world community.

News staff members travelled to China, Mexico, throughout Canada and the U.S. to report on matters as diverse as the Quebec General Election and the withdrawal of Canadian participation from the 1974 World Exposition in Spokane, Wash. It is a matter of record that The Sun's campaign for Canadian participation in the Spokane Fair led to a re-assessment by Canadian governments and a renewal of Canadian involvement in the first International Fair devoted exclusively to the environment of our world.

Environmental matters closer to home continued to draw the attention of specialists and generalists on The Sun news staff during 1973.

Special assignments were completed in the fields of nuclear, hydro, natural gas and petroleum energy. Substantial reports were also printed on the subjects of forestry and re-forestation, fisheries and water pollution.

It is a matter of pride that the public demand for return of the Jericho lands to the use of the people of Vancouver was achieved at a fair price in 1973, six years after the issue was attacked head-on by The Sun.

Early in the year, it became evident the public was confused and unclear about the effect the implementation of government automobile insurance would have on the individual. Two staff reporters were assigned to brief themselves fully on automobile insurance, both in B.C. and elsewhere in Canada. The assignment included the reporters attending a seminar for insurance agents to attain the fullest possible understanding of the new plan. In December it was decided to provide Sun readers with a direct method of getting answers to their insurance questions. A service column was established on automobile insurance and this service will be continued until after full implementation of the scheme March 1, 1974.

During the year, the newspaper embarked on a major typographical facelift for the benefit of its readers. The most important aspect of these changes from the public point of view was the introduction of a larger, more easily readable basic type face in the news columns. On July 16, the signature of the newspaper was changed to The Vancouver Sun for purposes of closer community identification.

In its traditional community participation, the newspaper reports the following achievements:

- More than 6,000 youngsters learned to swim last year at Sun free swim classes.
- An estimated 4,000 boats and 10,000 anglers participated in the Sun's annual free salmon derby.
- The House of Hope Christmas appeal for handicapped children surpassed \$100,000 in contributions.
- Corporate donations totalling \$46,511 were made to worthwhile causes.
- A one-day seminar on the use of the newspaper in the classroom was held for more than 100 Greater Vancouver elementary and secondary school teachers. Free bundles of newspapers were delivered regularly to 102 schools.
- The Sun's family Christmas "pops" concerts with the Vancouver Symphony drew a total attendance of more than 22,000.
- The supervision of newspaper plant tours was taken over by the promotion department and has become a resounding success. The tours are booked solid in advance to the end of the June 1974 school term.
- A change in the format of the annual Sun Match Play golf tournament led to a wider acceptance of the event, both from the participants and the general public.
- The Tournament of Soccer Champions final was visited by Prime Minister Pierre Elliott Trudeau. Using the medium of tournament competition, more than \$30,000 was raised for the purposes of promoting amateur soccer in B.C.

STORY IN PICTURES OF VANCOUVER SUN'S COMMUNITY WORK



LEFT—Publisher Stuart Keate unveils Sun plaque recognizing reader's contributions in excess of \$100,000 to The Variety Club's Surrey Treatment Centre for children with cerebral palsy and other neurological disorders.

ABOVE—The Sun's Newspaper in the Classroom program.

LOWER LEFT—Prime Minister Pierre Elliott Trudeau kicks off at the Sun's Tournament of Soccer Champions.

BELOW—The 1973 winners at the world famous Annual Sun Free Salmon Derby.



